

DURANT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

# DURANT COMMUNITY SCHOOL DISTRICT

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DURANT COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2015

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
Barb Reasner	Board President	2015
Ron Alpen	Board Vice President	2015
Russ Paustian	Board Member	2015
Julia Rivera	Board Member	2017
Robert Walker	Board Member	2017
<b>School Officials</b>		
Duane Bennett	Superintendent	2015
Lesa Kephart	District Secretary	Indefinite
Philip Keese	District Treasurer	Indefinite
Lane & Waterman	Attorney	Indefinite

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
Durant Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District, Durant, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 14 to the financial statements, Durant Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 52 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durant Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 29, 2016 on my consideration of Durant Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Durant Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 29, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Durant Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,853,584 in fiscal 2014 to \$6,703,905 in fiscal 2015, while General Fund expenditures increased from \$6,290,051 in fiscal 2014 to \$6,580,130 in fiscal 2015. The District's General Fund balance increased from \$1,555,202 in fiscal 2014 to \$1,679,080 in fiscal 2015, an 8% increase.
- The District's prior year certified enrollment remained relatively unchanged. This resulted in new money in the amount of \$28,126. The District did not qualify for the Regular Program Budget Adjustment for FY15.
- The District received a 1% premium increase for health insurance for the year.
- This was the tenth year of Whole Grade Sharing with the Bennett Community School District in grades 7-12. The District received funding for 42.5 Bennett students in FY15.
- Several capital projects were completed during the year, including floor covering replacement, asbestos abatement, technology infrastructure and the completion of the shop building remodel. A locker room remodel was started in FY15 and will be completed in FY16.
- The District levied a cash reserve levy in the amount of \$339,606 for FY15.
- The Durant district began sharing a guidance counselor, transportation director and a maintenance director with the Wilton school district. Additional weighting for the shared staff was received and 20% of the salaries and benefits for the guidance counselor and the transportation director was received from the Wilton district. Durant district paid 20% of the salaries and benefits for the maintenance director to the Wilton district.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Durant Community School District as a whole and present an overall view of the District's finances.



The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Durant Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Durant Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Durant Community School District Annual Financial Report***

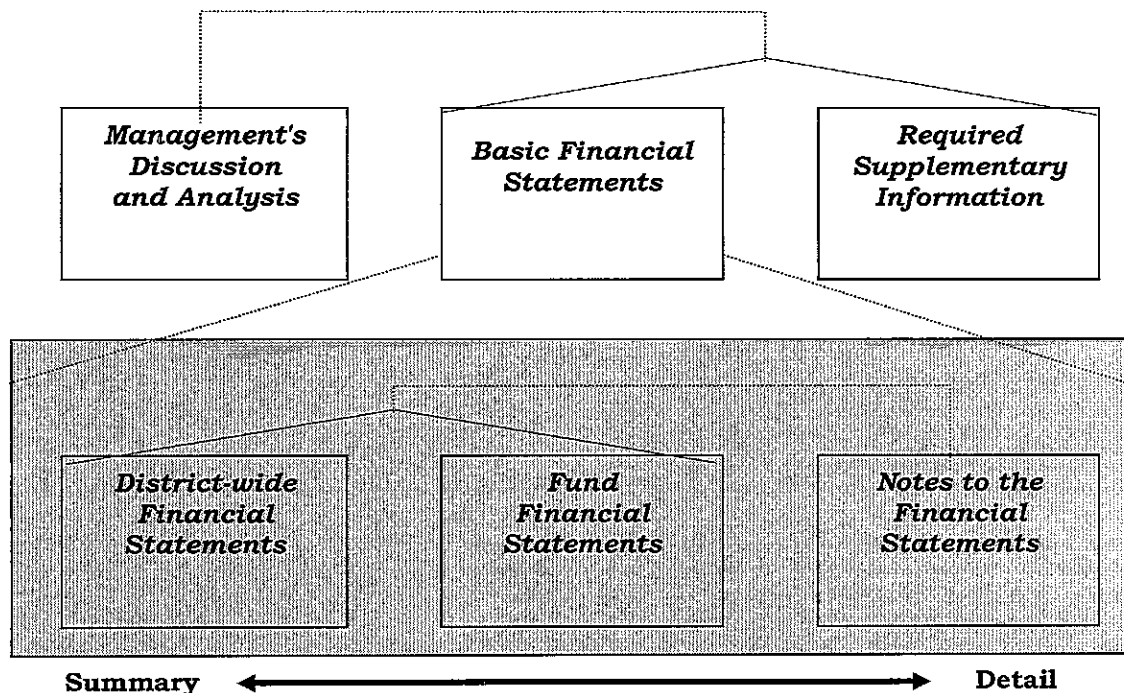


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of

resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

### Condensed Statement of Net Position

	Condensed Statement of Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 5,736,888	\$ 6,194,893	\$ 86,391	\$ 89,977	\$ 5,823,279	\$ 6,284,870	-7.34%
Capital assets	<u>5,942,359</u>	<u>5,957,429</u>	<u>26,715</u>	<u>25,234</u>	<u>5,969,074</u>	<u>5,982,663</u>	-0.23%
Total assets	<u>11,679,247</u>	<u>12,152,322</u>	<u>113,106</u>	<u>115,211</u>	<u>11,792,353</u>	<u>12,267,533</u>	-3.87%
Deferred outflows of resources	<u>137,431</u>	<u>-</u>	<u>17,513</u>	<u>-</u>	<u>154,944</u>	<u>-</u>	100.00%
Long-term liabilities	4,259,707	2,537,460	90,534	-	4,350,241	2,537,460	71.44%
Other liabilities	<u>385,303</u>	<u>376,783</u>	<u>-</u>	<u>387</u>	<u>385,303</u>	<u>377,170</u>	2.16%
Total liabilities	<u>4,645,010</u>	<u>2,914,243</u>	<u>90,534</u>	<u>387</u>	<u>4,735,544</u>	<u>2,914,630</u>	62.47%
Deferred inflows of resources	<u>3,313,133</u>	<u>2,738,498</u>	<u>47,400</u>	<u>-</u>	<u>3,360,533</u>	<u>2,738,498</u>	22.71%
Net position							
Net investment in							
capital assets	4,152,359	3,526,076	26,715	25,234	4,179,074	3,551,310	17.68%
Restricted	1,305,362	1,698,022	-	-	1,305,362	1,698,022	-23.12%
Unrestricted	<u>(1,599,186)</u>	<u>1,275,483</u>	<u>(34,030)</u>	<u>89,590</u>	<u>(1,633,216)</u>	<u>1,365,073</u>	-219.64%
Total net position	<u>\$ 3,858,535</u>	<u>\$ 6,499,581</u>	<u>\$ (7,315)</u>	<u>\$ 114,824</u>	<u>\$ 3,851,220</u>	<u>\$ 6,614,405</u>	-41.78%

The District's total net position decreased by approximately 42%, or \$2,763,185, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$392,660, or approximately 23% from the prior year. The decline in the restricted net position was due to the completion of the shop building remodel and technology infrastructure projects.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,998,289, or approximately 220%. This decrease in unrestricted net position was primarily the result of the District adopting GASB Statement No. 68 and recording the net pension liability and net pension expense in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,270,458 and \$129,181, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service	\$ 1,380,952	\$ 1,341,211	\$ 212,672	\$ 211,550	\$ 1,593,624	\$ 1,552,761	2.63%
Operating grants	928,984	979,304	126,352	133,582	1,055,336	1,112,886	-5.17%
General revenues							
Property tax	3,119,629	3,052,670	-	-	3,119,629	3,052,670	2.19%
Statewide sales, services and use tax	531,910	496,791	-	-	531,910	496,791	7.07%
Unrestricted state grants	2,227,289	2,317,637	-	-	2,227,289	2,317,637	-3.90%
Contributions and donations	23,421	11,168	-	-	23,421	11,168	109.72%
Unrestricted investment earnings	20,932	18,852	145	143	21,077	18,995	10.96%
Other	4,955	4,129	-	-	4,955	4,129	20.00%
Total revenues	<u>8,238,072</u>	<u>8,221,762</u>	<u>339,169</u>	<u>345,275</u>	<u>8,577,241</u>	<u>8,567,037</u>	0.12%

Program expenses

Governmental activities

Instruction	4,686,155	4,734,976	-	-	4,686,155	4,734,976	-1.03%
Support services	2,263,606	2,204,839	-	-	2,263,606	2,204,839	2.67%
Non-instructional programs	1,362	1,282	332,127	352,622	333,489	353,904	-5.77%
Other expenses	<u>657,537</u>	<u>557,604</u>	<u>-</u>	<u>-</u>	<u>657,537</u>	<u>557,604</u>	17.92%
Total expenses	<u>7,608,660</u>	<u>7,498,701</u>	<u>332,127</u>	<u>352,622</u>	<u>7,940,787</u>	<u>7,851,323</u>	1.14%
Change in net position	629,412	723,061	7,042	(7,347)	636,454	715,714	11.07%
Net position beginning of year, as restated	<u>3,229,123</u>	<u>5,776,520</u>	<u>(14,357)</u>	<u>122,171</u>	<u>3,214,766</u>	<u>5,898,691</u>	-45.50%
Net position end of year	<u>\$ 3,858,535</u>	<u>\$ 6,499,581</u>	<u>\$ (7,315)</u>	<u>\$ 114,824</u>	<u>\$ 3,851,220</u>	<u>\$ 6,614,405</u>	-41.78%

In fiscal year 2015, property tax and unrestricted state grants account for approximately 65% of governmental activities revenues while charges for service and sales and operating grants and contributions account for almost 100% of business type activities revenue. The District's total revenues were \$8,577,241 of which \$8,238,072 was for governmental activities and \$339,169 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a less than 1% increase in revenues and a 1% increase in expenses. Property taxes increased \$66,959 and statewide sales, services and use tax revenue increased \$35,119 to fund increases in expenditures. The property tax increase was primarily due to levying more for the Management Fund to increase the fund balance and allow funding for unanticipated expenses and increases in insurance rates.

### Governmental Activities

Revenues for governmental activities were \$8,238,072 and expenses were \$7,608,660 for the year ended June 30, 2015. The difference in revenue and expenses in FY15 was largely due to salary and benefit increases and an increased Management Fund levy.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 4,686,155	\$ 4,734,976	-1.0%	\$ 2,609,447	\$ 2,648,605	-1.5%
Support services	2,263,606	2,204,839	2.7%	2,260,241	2,198,217	2.8%
Non-instructional programs	1,362	1,282	6.2%	1,362	1,282	6.2%
Other expenses	<u>657,537</u>	<u>557,604</u>	17.9%	<u>427,674</u>	<u>330,082</u>	29.6%
Total expenses	<u>\$ 7,608,660</u>	<u>\$ 7,498,701</u>	1.5%	<u>\$ 5,298,724</u>	<u>\$ 5,178,186</u>	2.3%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,380,952.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$928,984.
- The net cost of governmental activities was financed with \$3,651,539 in property and other taxes and \$2,227,289 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$339,169 representing a 2% decrease from the prior year, while expenses totaled \$332,127, a 6% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District increased what it charged for meals. Salaries and benefits account for 54% of the expenditures and the remaining 46% was spent on food supplies and other miscellaneous expenditures.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Durant Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$2,593,481, slightly below last year's ending fund balances of \$2,808,348. The restricted fund balance in the Capital Project Fund was reduced due to the locker room remodel and technology infrastructure projects. The Management Fund restricted fund balance increased as the District did not incur the anticipated rate increases for Property and Workers Compensation insurance premiums or Workers Compensation or unemployment claims.

### **Governmental Fund Highlights**

The District's improving General Fund balance is the result of many factors. The General Fund balance increased from \$1,555,202 to \$1,679,080 due to continued efforts to reduce expenditures when possible and the additional revenue generated from new sharing agreements with the Wilton school district.

The Debt Service Fund balance increased from \$314,431 in 2014 to \$345,023 in 2015 due to the refunding of general obligation bonds in 2015.

The Management Fund balance increased from \$3,154 to \$62,312 due to the increase in the Management Tax Levy to cover unanticipated expenses at year end and lower than anticipated insurance rate increases.

### **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$(14,357) at June 30, 2014 to \$(7,315) at June 30, 2015, representing an increase of approximately 49%. This was due to reduced expenditures for food, equipment and other supplies. The District also reflected the

net pension liability and related expense during 2015, which caused an overall reduction of net position.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Durant Community School District amended its annual budget by \$1,432,803 to include expenses associated with a bond refinance, increased staff and staff development costs, equipment breakdown insurance and technology equipment purchases.

The District's total revenues were \$233,884 more than budgeted revenues, a variance of approximately 3%. The District's practice is to budget conservatively and underestimate revenue when budgeting.

The total expenditures were \$559,416 less than the amended budget. It is the District's practice to overestimate expenditures slightly when amending the budget to avoid going over budget at year end with unexpected/unanticipated expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$5,969,074, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$489,386.

The original cost of the District's capital assets was \$12,744,540. Governmental funds account for \$12,682,107, with the remainder of \$62,433 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which decreased from \$47,637 at June 30, 2014 to \$40,631 at June 30, 2015 due to the shop remodel project that was started in FY14 and completed in FY15 and the locker room remodel that was started in FY15 but not completed as of June 30, 2015.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 135,364	\$ 135,364	\$ -	\$ -	\$ 135,364	\$ 135,364	0.00%
Construction in progress	40,631	47,637	-	-	40,631	47,637	-14.71%
Buildings and improvements	4,724,756	4,618,049	-	-	4,724,756	4,618,049	2.31%
Improvements, other than buildings	277,208	303,501	-	-	277,208	303,501	-8.66%
Furniture and equipment	<u>764,400</u>	<u>852,878</u>	<u>26,715</u>	<u>25,234</u>	<u>791,115</u>	<u>878,112</u>	-9.91%
Totals	<u>\$ 5,942,359</u>	<u>\$ 5,957,429</u>	<u>\$ 26,715</u>	<u>\$ 25,234</u>	<u>\$ 5,969,074</u>	<u>\$ 5,982,663</u>	-0.23%



## Long-Term Debt

At June 30, 2015, the District had \$4,453,366 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 31% from the prior year. (See Figure A-7) The decrease is primarily the result of the reduced debt in the Apple Lease obligation and the General Obligation Bonds.

The District does not currently have a bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$10.8 million.

Figure A-7

Outstanding Long-term Obligations			
	Total District	Total Change	
	June 30, 2015	June 30, 2014 (restated)	2014-2015
Governmental activities			
General obligation bonds	\$ -	\$ 1,310,000	-100.00%
Revenue bonds	680,000	900,000	-24.44%
GO refunding bonds	1,110,000	-	100.00%
Capital lease	-	221,353	-100.00%
Net pension liability	2,291,947	3,608,150	-36.48%
Net OPEB liability	<u>280,885</u>	<u>229,857</u>	22.20%
	4,362,832	6,269,360	-30.41%
Business type activities			
Net pension liability	<u>90,534</u>	<u>142,525</u>	-36.48%
Total	<u>\$ 4,453,366</u>	<u>\$ 6,411,885</u>	-30.55%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District experienced an increase of 12 resident students on our certified enrollment. Therefore, we did not qualify for the Regular Program Budget Adjustment in FY16.
- The District will continue whole grade sharing with the Bennett Community School District for grades 7-12 in the 2016 fiscal year. The District will also continue sharing classes in both the Wilton and Durant districts and sharing a Guidance Counselor, Transportation Director and Maintenance Director with Wilton CSD in FY16.
- In FY16 the district will be preparing to implement the Teacher Leadership and Compensation Program beginning in FY17.

- The District will be completing the locker room remodel project in FY16 as well as replacing some floor coverings, bus purchase, leasing new 1:1 technology equipment and contributing \$45,000 toward the construction of a new softball complex.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lesa Kephart, District Secretary and Business Manager, Durant Community School District, 408 7<sup>th</sup> Street, Durant, Iowa 52747.

## Basic Financial Statements

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 2,520,912	\$ 76,704	\$ 2,597,616
Receivables			
Property tax			
Delinquent	27,476	-	27,476
Succeeding year	2,451,927	-	2,451,927
Accounts receivable	15,690	385	16,075
Income surtax	312,919	-	312,919
Due from other governments	407,964	-	407,964
Inventories	-	9,302	9,302
Non-depreciable capital assets	175,995	-	175,995
Capital assets, net of accumulated depreciation	5,766,364	26,715	5,793,079
Total assets	<u>11,679,247</u>	<u>113,106</u>	<u>11,792,353</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>137,431</u>	<u>17,513</u>	<u>154,944</u>
<b>Liabilities</b>			
Accounts payable	352,959	-	352,959
Salaries and benefits payable	1,835	-	1,835
Accrued interest payable	6,742	-	6,742
Unearned revenue	1,120	-	1,120
Due to other governments	22,647	-	22,647
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	215,000	-	215,000
Revenue bonds payable	225,000	-	225,000
Portion due after one year			
General obligation bonds payable	895,000	-	895,000
Unamortized bond discount	(103,125)	-	(103,125)
Revenue bonds payable	455,000	-	455,000
Net pension liability	2,291,947	90,534	2,382,481
Net OPEB liability	280,885	-	280,885
Total liabilities	<u>4,645,010</u>	<u>90,534</u>	<u>4,735,544</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 2,451,927	\$ -	\$ 2,451,927
Pension related deferred inflows	861,206	47,400	908,606
Total deferred inflows of resources	<u>3,313,133</u>	<u>47,400</u>	<u>3,360,533</u>
<b>Net Position</b>			
Net investment in capital assets	4,152,359	26,715	4,179,074
Restricted for			
Categorical funding	155,503	-	155,503
Management levy purposes	62,312	-	62,312
Physical plant and equipment	185,829	-	185,829
Debt service	441,406	-	441,406
Student activities	53,075	-	53,075
School infrastructure	407,237	-	407,237
Unrestricted	<u>(1,599,186)</u>	<u>(34,030)</u>	<u>(1,633,216)</u>
Total net position	<u>\$ 3,858,535</u>	<u>\$ (7,315)</u>	<u>\$ 3,851,220</u>

See notes to financial statements.

**DURANT COMMUNITY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Instruction							
Regular instruction	\$ 2,898,777	\$ 1,224,058	\$ 630,465	\$ -	\$ (1,044,254)	\$ -	\$ (1,044,254)
Special instruction	752,947	156,894	57,360	-	(538,693)	-	(538,693)
Other instruction	1,034,431	-	7,931	-	(1,026,500)	-	(1,026,500)
	4,686,155	1,380,952	695,756	-	(2,609,447)	-	(2,609,447)
Support services							
Student	145,184	-	-	-	(145,184)	-	(145,184)
Instructional staff	249,295	-	-	-	(249,295)	-	(249,295)
Administration	843,031	-	-	-	(843,031)	-	(843,031)
Operation and maintenance of plant	697,931	-	-	-	(697,931)	-	(697,931)
Transportation	328,165	-	-	-	(328,165)	-	(328,165)
Central support	-	-	3,365	-	3,365	-	3,365
	2,263,606	-	3,365	-	(2,260,241)	-	(2,260,241)
	1,362	-	-	-	(1,362)	-	(1,362)
Non-instructional programs							
Other expenses							
Facilities acquisition	105,772	-	-	-	(105,772)	-	(105,772)
Long-term debt interest	70,020	-	-	-	(70,020)	-	(70,020)
AEA flowthrough	229,863	-	229,863	-	-	-	-
Depreciation (unallocated) *	251,882	-	-	-	(251,882)	-	(251,882)
	657,537	-	229,863	-	(427,674)	-	(427,674)
Total governmental activities	7,608,660	1,380,952	928,984	-	(5,298,724)	-	(5,298,724)

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 332,127	\$ 212,672	\$ 126,352	\$ -	\$ -	\$ 6,897
Total	<u>\$ 7,940,787</u>	<u>\$ 1,593,624</u>	<u>\$ 1,055,336</u>	<u>\$ -</u>	<u>\$ (5,298,724)</u>	<u>\$ 6,897</u>
						<u>\$ (5,291,827)</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes					2,848,652	-
Debt service					109,540	-
Capital outlay					161,437	-
Statewide sales, services and use tax					531,910	-
Unrestricted state grants					2,227,289	-
Contributions and donations					23,421	-
Unrestricted investment earnings					20,932	145
Other					4,955	-
Total general revenues					<u>5,928,136</u>	<u>145</u>
Change in net position					629,412	7,042
Net position beginning of year, as restated					3,229,123	(14,357)
Net position end of year					<u>\$ 3,858,535</u>	<u>\$ (7,315)</u>
						<u>\$ 3,851,220</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

## DURANT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$1,504,619	\$180,976	\$300,120	\$535,197	\$2,520,912
Receivables					
Property tax					
Delinquent	22,817	3,562	1,035	62	27,476
Succeeding year	1,973,250	317,578	68,872	92,227	2,451,927
Accounts receivable	12,035	200	-	3,455	15,690
Income surtax	173,844	-	-	139,075	312,919
Due from other governments	311,147	-	-	96,817	407,964
Due from other funds	291	-	43,868	-	44,159
Total assets	<u>\$3,998,003</u>	<u>\$502,316</u>	<u>\$413,895</u>	<u>\$866,833</u>	<u>\$5,781,047</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 146,227	\$122,426	\$ -	\$ 84,306	\$ 352,959
Salaries and benefits payable	1,835	-	-	-	1,835
Due to other governments	22,647	-	-	-	22,647
Unearned revenue	1,120	-	-	-	1,120
Due to other fund	-	-	-	44,159	44,159
Total liabilities	<u>171,829</u>	<u>122,426</u>	<u>-</u>	<u>128,465</u>	<u>422,720</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	1,973,250	317,578	68,872	92,227	2,451,927
Income surtax	173,844	-	-	139,075	312,919
Total deferred inflows of resources	<u>2,147,094</u>	<u>317,578</u>	<u>68,872</u>	<u>231,302</u>	<u>2,764,846</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	155,503	-	-	-	155,503
School infrastructure	-	-	-	407,237	407,237
Student activities	-	-	-	53,075	53,075
Management levy purposes	-	62,312	-	-	62,312
Physical plant and equipment	-	-	-	46,754	46,754
Debt service	-	-	345,023	-	345,023
Unassigned	1,523,577	-	-	-	1,523,577
Total fund balances	<u>1,679,080</u>	<u>62,312</u>	<u>345,023</u>	<u>507,066</u>	<u>2,593,481</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,998,003</u>	<u>\$502,316</u>	<u>\$413,895</u>	<u>\$866,833</u>	<u>\$5,781,047</u>

See notes to financial statements.



DURANT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$2,593,481</b>
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**Amounts reported for governmental activities in the Statement of Net Position  
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,942,359
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Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	312,919
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(6,742)
--	---------

Pension related deferred outflows of resources and deferred inflows of resources are  
not due and payable in the current year and, therefore, are not reported in the  
governmental funds, as follows:

Deferred outflows of resources	\$137,431	
Deferred inflows of resources	<u>(861,206)</u>	(723,775)

Unamortized bond discount on refunding is not available to pay current year expenditures and, therefore, are not reported as assets in the governmental funds	103,125
--	---------

Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(4,362,832)</u>
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<b>Net position of governmental activities</b>	<b><u>\$3,858,535</u></b>
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DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

Revenues	<u>General</u>	<u>Special Revenue</u>		<u>Nonmajor Governmental Funds</u>	<u>Total</u>
		<u>Management Levy</u>	<u>Debt Service</u>		
Local sources					
Local tax	\$2,428,301	\$ 353,495	\$ 108,149	\$ 164,690	\$ 3,054,635
Tuition	945,616	-	-	-	945,616
Other	152,601	8,873	-	332,890	494,364
Intermediate sources	17,700	-	-	-	17,700
State sources	3,030,303	5,291	1,391	531,993	3,568,978
Federal sources	129,384	-	-	-	129,384
Total revenues	<u>6,703,905</u>	<u>367,659</u>	<u>109,540</u>	<u>1,029,573</u>	<u>8,210,677</u>
Expenditures					
Current					
Instruction					
Regular	2,820,350	26,605	-	55,080	2,902,035
Special	773,741	-	-	-	773,741
Other	794,748	-	-	276,123	1,070,871
	<u>4,388,839</u>	<u>26,605</u>	<u>-</u>	<u>331,203</u>	<u>4,746,647</u>
Support services					
Student	141,645	-	-	-	141,645
Instructional staff	252,100	-	-	2,714	254,814
Administration	725,461	139,868	-	4	865,333
Operation and maintenance of	578,464	111,502	-	11,381	701,347
Transportation	263,758	29,164	-	24,516	317,438
	<u>1,961,428</u>	<u>280,534</u>	<u>-</u>	<u>38,615</u>	<u>2,280,577</u>
Non-instructional programs	<u>-</u>	<u>1,362</u>	<u>-</u>	<u>-</u>	<u>1,362</u>
Other expenditures					
Facilities acquisition	-	-	-	468,829	468,829
Long-term debt					
Principal	-	-	1,966,354	-	1,966,354
Interest and fiscal charges	-	-	69,299	-	69,299
AEA flowthrough	229,863	-	-	-	229,863
	<u>229,863</u>	<u>-</u>	<u>2,035,653</u>	<u>468,829</u>	<u>2,734,345</u>
Total expenditures	<u>6,580,130</u>	<u>308,501</u>	<u>2,035,653</u>	<u>838,647</u>	<u>9,762,931</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 123,775	59,158	\$(1,926,113)	\$ 190,926	\$(1,552,254)
Other financing sources (uses)					
Proceeds from the disposal of real or	103	-	-	-	103
Proceeds from issuance of bonds	-	-	1,346,426	-	1,346,426
Bond discount	-	-	(9,142)	-	(9,142)
Transfers in	-	-	619,421	-	619,421
Transfers (out)	-	-	-	(619,421)	(619,421)
Total other financing sources (uses)	103	-	1,956,705	(619,421)	1,337,387
Change in fund balances	123,878	59,158	30,592	(428,495)	(214,867)
Fund balance, beginning of year	1,555,202	3,154	314,431	935,561	2,808,348
Fund balance, end of year	<u>\$1,679,080</u>	<u>\$ 62,312</u>	<u>\$ 345,023</u>	<u>\$ 507,066</u>	<u>\$ 2,593,481</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit F

**Change in fund balances - total governmental funds** \$ (214,867)

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 472,128	
Loss on disposal of capital assets	(1,584)	
Depreciation expense	<u>(485,614)</u>	(15,070)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 27,292

Amortization of the discount on bond refunding did not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. However, the annual amortization is reported as an expenditure in the Statement of Activities. (20,625)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	(1,325,000)	
Repaid	<u>1,966,353</u>	641,353

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	(95,403)	
Other postemployment benefits	<u>(51,028)</u>	(146,431)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,621

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 350,139

**Change in net position of governmental activities** **\$ 629,412**

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

Exhibit G

	Nonmajor School <u>Nutrition</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 76,704
Accounts receivable	385
Inventories	<u>9,302</u>
Total current assets	86,391
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>26,715</u>
Total assets	<u>113,106</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>17,513</u>
 <b>Liabilities</b>	
Noncurrent liabilities	
Net pension liability	<u>90,534</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>47,400</u>
 <b>Net Position</b>	
Investment in capital assets	26,715
Unrestricted	<u>(34,030)</u>
Total net position	<u>\$ (7,315)</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2015

Exhibit H

	Nonmajor School <u>Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 212,672</u>
Operating expenses	
Support services	
Administration	
Purchased services	1,350
Operation and maintenance of plant	
Purchased services	<u>1,477</u>
Total support services	<u>2,827</u>
Non-instructional programs	
Food service operations	
Salaries and benefits	132,041
Benefits	34,453
Purchased services	115
Supplies	157,562
Loss of disposal of equipment	545
Miscellaneous	812
Depreciation	<u>3,772</u>
Total non-instructional program expenses	<u>329,300</u>
Total operating expenses	<u>332,127</u>
Operating (loss)	<u>(119,455)</u>
Non-operating revenues	
Interest income	145
State sources	2,435
Federal sources	<u>123,917</u>
Total non-operating revenues	<u>126,497</u>
Change in net position	7,042
Net position beginning of year, as restated	<u>(14,357)</u>
Net position end of year	<u>\$ (7,315)</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015

Exhibit I

	Nonmajor School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 212,343
Cash payments to employees for services	(175,641)
Cash payments to suppliers for goods and services	(140,427)
Net cash (used in) operating activities	<u>(103,725)</u>
Cash flows from non-capital financing activities	
State grants received	2,435
Federal grants received	101,904
Net cash provided by non-capital financing activities	<u>104,339</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,799)</u>
Cash flows from investing activities	
Interest on investments	<u>145</u>
Net (decrease) in cash and cash equivalents	(5,040)
Cash and cash equivalents, beginning of year	81,744
Cash and cash equivalents, end of year	<u><u>\$ 76,704</u></u>

**Reconciliation of operating (loss) to net cash**

**(used in) operating activities**

Operating (loss)	\$(119,455)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	3,772
Commodities used	22,013
(Increase) in accounts receivable	(329)
(Increase) in inventory	(579)
(Increase) in deferred outflows of resources	(4,169)
(Decrease) in net pension liability	(51,991)
Increase in deferred inflows of resources	47,400
(Decrease) in due to other funds	(387)
Net cash (used in) operating activities	<u><u>\$(103,725)</u></u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015 the District received \$22,013 of federal commodities.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2015

Exhibit J

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 13,951
<b>Liabilities</b>	
Due to others	-
<b>Net Position</b>	
Reserved for scholarships	<u>\$ 13,951</u>

See notes to financial statements.



DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 26
Deductions	<u>-</u>
Change in net position	26
Net position beginning of year	<u>13,925</u>
Net position end of year	<u>\$13,951</u>

See notes to financial statements.

## DURANT COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

#### **Note 1. Summary of Significant Accounting Policies**

The Durant Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the communities of Durant, Stockton, Sunbury and Pleasant Prairie, Iowa, and the agricultural territory in Cedar, Muscatine and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Durant Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Durant Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is utilized to account for the property tax and other revenues used for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the enterprise, School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and

services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	\$ 5,000
Improvements other than buildings	\$ 5,000
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for hourly employees' hours worked in June, not paid until July, have been accrued as liabilities.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and

additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period (s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and income surtax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$62,312 for management levy purposes, \$185,829 for physical plant and equipment, \$441,406 for debt service, \$53,075 for student activities and \$407,237 for school infrastructure.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$10,980 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

**Note 3. Due From and Due To Other Funds**

The details of interfund receivables and payables at June 30, 2015 is as follows:



<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor special revenue	
	Student activities	\$ 291
	Nonmajor capital projects	
Debt service	Physical plant and equipment levy	<u>43,868</u>
		<u>\$ 44,159</u>

The amounts due to General Fund from Student Activity Fund were to recode payroll expenditures. The amounts due to Debt Service Fund from the Physical Plant and Equipment Levy Fund were for principal and interest payments on long-term debt that were not made before June 30, 2015. The balances will be repaid during the year ending June 30, 2016.

#### **Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Non-major capital projects fund	
Debt service	Statewide Sales, Services and Use Tax Fund	\$ 164,772
Debt service	Physical plant and equipment levy	<u>454,649</u>
		<u>\$ 619,421</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund to the Debt Service Fund were for payments of principal and interest on the District's debt.

#### **Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 135,364	\$ -	\$ -	\$ 135,364
Construction in progress	<u>47,637</u>	<u>40,631</u>	<u>(47,637)</u>	<u>40,631</u>
Total capital asset not being depreciated	<u>183,001</u>	<u>40,631</u>	<u>(47,637)</u>	<u>175,995</u>

Capital assets being depreciated:				
Buildings and improvements	9,095,211	329,303	-	9,424,514
Improvements other than buildings	688,377	-	-	688,377
Furniture and equipment	<u>2,308,713</u>	<u>149,831</u>	<u>(65,323)</u>	<u>2,393,221</u>
Total capital assets being depreciated	<u>12,092,301</u>	<u>479,134</u>	<u>(65,323)</u>	<u>12,506,112</u>
Less accumulated depreciation for:				
Buildings and improvements	4,477,162	222,596	-	4,699,758
Improvements other than buildings	384,876	26,293	-	411,169
Furniture and equipment	<u>1,455,835</u>	<u>236,725</u>	<u>(63,739)</u>	<u>1,628,821</u>
Total accumulated depreciation	<u>6,317,873</u>	<u>485,614</u>	<u>(63,739)</u>	<u>6,739,748</u>
Total capital assets being depreciated, net	<u>5,774,428</u>	<u>(6,480)</u>	<u>(1,584)</u>	<u>5,766,364</u>
Governmental activities capital assets, net	<u>\$ 5,957,429</u>	<u>\$ 34,151</u>	<u>\$ (49,221)</u>	<u>\$ 5,942,359</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 58,174	\$ 5,799	\$ 1,540	\$ 62,433
Less accumulated depreciation	<u>32,940</u>	<u>3,772</u>	<u>994</u>	<u>35,718</u>
Business type activities capital assets, net	<u>\$ 25,234</u>	<u>\$ 2,027</u>	<u>\$ 546</u>	<u>\$ 26,715</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 155,930
Special	3,021
Other	2,684
Support services	
Student support	8,728
Administration	7,732
Operation and maintenance of plant	11,907
Transportation	<u>43,730</u>
	233,732
Unallocated	<u>251,882</u>
Total governmental activities depreciation expense	<u>\$ 485,614</u>

**Business type activities**

Food services	<u>\$ 3,772</u>
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## Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,310,000	\$ -	\$(1,310,000)	\$ -	\$ -
Revenue bonds	900,000	-	(220,000)	680,000	225,000
GO refunding bonds	-	1,325,000	(215,000)	1,110,000	215,000
Capital lease	221,353	-	(221,353)	-	-
Net pension liability	3,608,150	-	(1,316,203)	2,291,947	-
Net OPEB liability	229,857	52,844	(1,816)	280,885	-
Totals	<u>\$ 6,269,360</u>	<u>\$ 1,377,844</u>	<u>\$(3,284,372)</u>	<u>\$ 4,362,832</u>	<u>\$ 440,000</u>
Business type activities					
Net pension liability	<u>\$ 142,525</u>	<u>\$ -</u>	<u>\$ (51,991)</u>	<u>\$ 90,534</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$70,020 for the year ended June 30, 2015.

### Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year	Bond Issue of June 5, 2013			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	1.00%	\$ 5,675	\$ 225,000	\$ 230,675
2017	1.00%	3,425	225,000	228,425
2018	1.00%	1,150	230,000	231,150
Totals		<u>\$ 10,250</u>	<u>\$ 680,000</u>	<u>\$ 690,250</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$900,000 of bonds issued in June 2013. The bonds were issued to finance heating and cooling upgrades at the building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$690,250. For the current year \$220,000 of principal and \$7,900 of interest was paid on the revenue bonds and statewide sales, services and use tax revenues were \$531,910.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$90,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2015.

#### General Obligation Refunding Bonds

On November 10, 2014, the District issued \$1,325,000 of general obligation bonds to refund the general obligation bond issue of January 1, 2004. On November 14, 2014 the remaining balance of \$1,310,000 of the 2004 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2015. This current refunding was undertaken to reduce total debt service payments over the next five years by \$105,679 and resulted in an economic gain of \$82,403.

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond issue of November 10, 2014			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.50%	\$ 215,000	\$ 20,050	\$ 235,050
2017	1.50%	215,000	16,825	231,825
2018	2.00%	225,000	13,600	238,600
2019	2.00%	225,000	9,100	234,100
2020	2.00%	<u>230,000</u>	<u>4,600</u>	<u>234,600</u>
Totals		<u>\$ 1,110,000</u>	<u>\$ 64,175</u>	<u>\$ 1,174,175</u>

#### **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report

which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July, 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$362,756.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,382,481 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.058869 percent, which was a decrease of 0.007374 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$99,172. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,893	\$ -
Changes of assumptions	105,144	-
Net difference between projected and actual earnings on pension plan investments	-	908,606
Changes in proportion and differences between District contributions and proportionate share of contributions	(338,761)	-
District contributions subsequent to the measurement date	<u>362,668</u>	<u>-</u>
Total	<u>\$ 154,944</u>	<u>\$ 908,606</u>

\$362,668 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (275,685)
2017	(275,685)
2018	(275,685)
2019	(275,685)
2020	-13,590
Total	<u>\$ (1,116,330)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$4,501,614	\$2,382,481	\$593,697

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$140 for legally required employer contributions and \$94 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.



## **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 79 active, no one was excluded from the valuation because they were older than age 65, and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 61,229
Interest on net OPEB obligation	5,746
Adjustment to annual required contribution	<u>(14,131)</u>
Annual OPEB cost	52,844
Contributions made	<u>(1,816)</u>
Increase in net OPEB obligation	51,028
Net OPEB obligation beginning of year	<u>229,857</u>
Net OPEB obligation end of year	<u><u>\$ 280,885</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$1,816 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 64,394	5.7%	\$ 184,554
2014	\$ 48,774	7.1%	\$ 229,857
2015	\$ 52,844	3.4%	\$ 280,885

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$222,313, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately 222,313. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.1 million and the ratio of UAAL to covered payroll was 5.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$229,863 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**Note 12. Subsequent Event**

The District entered into a capital lease for student computers in July, 2015.

**Note 13. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program

Gifted and Talented	\$ 21,955
Returning dropout and dropout prevention program	72,551
Beginning teacher mentoring and induction program	401
Teacher salary supplement	1,565
Early literacy	6,784
Educator quality, professional development for model core curriculum	12,241
Educator quality, professional development	39,083
Teacher leadership	923
	<u>\$ 155,503</u>

**Note 14. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 6,499,581	\$ 114,824
Net pension liability at June 30, 2014	(3,608,150)	(142,525)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	337,692	13,344
Net position July 1, 2014, as restated	<u>\$ 3,229,123</u>	<u>\$ (14,357)</u>

**Note 15. Deficit Net Position**

The District's Business Type Activities and Enterprise Fund, School Nutrition Fund had a negative unrestricted net position and total net position of \$34,030 and \$7,315, respectively, at June 30, 2015. The District also had a deficit unrestricted net position of \$1,599,186 in the governmental activities at June 30, 2015.

## Required Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2015

	Governmental Funds	Proprietary Fund	Total	Budgeted Amounts	Final to Actual Variance
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u> <u>Final</u>	
<b>Revenues</b>					
Local sources	\$ 4,494,615	\$ 212,817	\$ 4,707,432	\$ 4,513,379	\$ 194,053
Intermediate sources	17,700	-	17,700	11,500	6,200
State sources	3,568,978	2,435	3,571,413	3,537,919	33,494
Federal sources	129,384	123,917	253,301	253,164	137
Total revenues	<u>8,210,677</u>	<u>339,169</u>	<u>8,549,846</u>	<u>8,315,962</u>	<u>233,884</u>
<b>Expenditures/Expenses</b>					
Instruction	4,746,647	-	4,746,647	4,951,064	270,305
Support services	2,280,577	-	2,280,577	2,352,933	182,606
Non-instructional programs	1,362	332,127	333,489	345,654	12,165
Other expenditures	2,734,345	-	2,734,345	1,572,020	94,340
Total expenditures/expenses	<u>9,762,931</u>	<u>332,127</u>	<u>10,095,058</u>	<u>9,221,671</u>	<u>559,416</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,552,254)	7,042	(1,545,212)	(905,709)	793,300
Net other financing sources	<u>1,337,387</u>	<u>-</u>	<u>1,337,387</u>	<u>-</u>	<u>1,337,387</u>
Net change in fund balance	(214,867)	7,042	(207,825)	(905,709)	2,130,687
Balance, beginning of year, as restated	<u>2,808,348</u>	<u>(14,357)</u>	<u>2,793,991</u>	<u>2,371,866</u>	<u>422,125</u>
Balance, end of year	<u>\$ 2,593,481</u>	<u>\$ (7,315)</u>	<u>\$ 2,586,166</u>	<u>\$ 1,466,157</u>	<u>\$ 2,552,812</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments increasing budgeted expenditures by \$1,432,803.



DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.058869 %
District's proportionate share of the net pension liability	\$ 2,382,481
District's covered-employee payroll	\$ 4,062,217
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.65%
Plan fiduciary net position as a percentnage of the total pension liability	87.61%

\*The amounts preseneted for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 362,756	\$ 351,036	\$ 371,454	\$ 339,934	\$ 273,568	\$ 253,260	\$ 236,378	\$ 222,531	\$ 191,250	\$ 178,980
Contributions in relation to the statutorily required contribution	(362,756)	(351,036)	(371,454)	(339,934)	(273,568)	(253,260)	(236,378)	(222,531)	(191,250)	(178,980)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$4,062,217	\$3,930,974	\$4,284,360	\$4,212,317	\$3,936,230	\$3,808,421	\$3,722,488	\$3,678,198	\$3,326,087	\$3,112,696
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Durant Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Durant Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$3,950,415	6.9%
2011	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$3,898,123	7.0%
2012	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$4,214,541	6.5%
2013	July 1, 2012	\$ -	\$219,728	\$219,728	\$ -	\$4,259,520	5.2%
2014	July 1, 2012	\$ -	\$222,313	\$222,313	\$ -	\$3,980,213	5.6%
2015	July 1, 2012	\$ -	\$222,313	\$222,313	\$ -	\$4,151,621	5.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

Schedule 1

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Statewide Sales, Services and Use Tax</u>	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 58,648	\$ 90,560	\$385,989	\$535,197
Receivables				
Property tax				
Delinquent	-	62	-	62
Succeeding year	-	92,227	-	92,227
Accounts receivable	3,455	-	-	3,455
Due from other governments	-	-	96,817	96,817
Income surtax	-	139,075	-	139,075
Total assets	<u>\$62,103</u>	<u>\$321,924</u>	<u>\$482,806</u>	<u>\$866,833</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 8,737	\$ -	\$ 75,569	\$ 84,306
Due to other funds	291	43,868	-	44,159
Total liabilities	<u>9,028</u>	<u>43,868</u>	<u>75,569</u>	<u>128,465</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	92,227	-	92,227
Income surtax	-	139,075	-	139,075
Total deferred inflows of resources	<u>-</u>	<u>231,302</u>	<u>-</u>	<u>231,302</u>
Fund balances				
Restricted for				
Student activities	53,075	-	-	53,075
Physical plant and equipment	-	46,754	-	46,754
School infrastructure	-	-	407,237	407,237
Total fund balances	<u>53,075</u>	<u>46,754</u>	<u>407,237</u>	<u>507,066</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$62,103</u>	<u>\$321,924</u>	<u>\$482,806</u>	<u>\$866,833</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2

	Special Revenue	Capital Projects		
		Physical Plant and Equipment	Statewide Sales, Services and Use Tax	
Revenues	Student Activity	Levy		Total
Local sources				
Local taxes	\$ -	\$164,690	\$ -	\$ 164,690
Other	269,491	638	62,761	332,890
State sources	-	83	531,910	531,993
Total revenues	<u>269,491</u>	<u>165,411</u>	<u>594,671</u>	<u>1,029,573</u>
Expenditures				
Current				
Instruction				
Regular	-	-	55,080	55,080
Other	276,123	-	-	276,123
Total instruction	<u>276,123</u>	<u>-</u>	<u>55,080</u>	<u>331,203</u>
Support services				
Instructional staff	-	-	2,714	2,714
Administration	-	-	4	4
Operation and maintenance of plant	-	-	11,381	11,381
Transportation	-	24,516	-	24,516
Total support services	<u>-</u>	<u>24,516</u>	<u>14,099</u>	<u>38,615</u>
Other expenditures				
Facilities acquisition	-	-	468,829	468,829
Total expenditures	<u>276,123</u>	<u>24,516</u>	<u>538,008</u>	<u>838,647</u>
Excess (deficiency) of revenues over (under) expenditures	(6,632)	140,895	56,663	190,926
Other financing (uses)				
Transfers (out)	-	(164,772)	(454,649)	(619,421)
Change in fund balances	(6,632)	(23,877)	(397,986)	(428,495)
Fund balances, beginning of year	59,707	70,631	805,223	935,561
Fund balances, end of year	<u>\$ 53,075</u>	<u>\$ 46,754</u>	<u>\$ 407,237</u>	<u>\$ 507,066</u>

See accompanying Independent Auditor's Report.



DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 10,560	\$ 75,283	\$ 75,409	\$ (9,485)	\$ 949
Athletic equipment	(9,549)	-	-	9,549	-
Band	8,466	48,564	49,135	11	7,906
Basketball cheer	1,258	675	1,905	2	30
Baseball camp	6,606	4,989	2,702	12	8,905
Boys basketball camp	1,033	3,885	4,287	3	634
Boys track camp	631	13,293	13,642	1	283
Class of:					
2008	790	-	-	(790)	-
2010	125	-	-	(125)	-
2011	328	-	-	(328)	-
2012	1,961	-	-	(1,961)	-
2013	461	-	-	(461)	-
2014	803	-	-	(803)	-
2015	-	1,260	1,185	-	75
2016	-	3,231	1,127	-	2,104
Graduates	-	500	1,900	4,478	3,078
Close Up	1,190	-	-	2	1,192
Drama	3,586	3,420	2,432	7	4,581
8th grade class trip	2,454	47,213	48,972	17	712
FCCLA	-	1,338	906	-	432
Football camp	6,847	11,598	14,360	16	4,101
Girls track camp	942	1,911	1,740	2	1,115
High school cheerleading	585	4,055	4,586	-	54
High school dance	1,474	2,539	3,842	341	512
Student council	1,829	2,319	2,613	602	2,137
Interest	243	189	83	(186)	163
Jr high cheerleaders	104	-	-	-	104
Jr high student council	1,425	542	541	3	1,429
K-8 memory book	316	1,961	1,877	1	401
Kitten camp	948	10,016	9,855	2	1,111
Library book club	38	-	-	1	39
NFL	(90)	-	-	1	(89)
National Honor Society	1,552	1,770	2,375	3	950
Outside classroom	720	-	-	1	721
Physical fitness	161	-	-	-	161
Playground	320	-	305	-	15
Resale	4	11,458	10,522	(935)	5
Spanish	404	-	-	2	406
TSA	187	-	-	-	187
Vocal	2,622	5,989	6,112	5	2,504
Volleyball	2,112	3,781	4,776	2	1,119
Wrestling cheerleading	512	2,947	1,527	1	1,933
Yearbook	5,749	4,765	7,407	9	3,116
Totals	<u>\$ 59,707</u>	<u>\$ 269,491</u>	<u>\$ 276,123</u>	<u>\$ -</u>	<u>\$ 53,075</u>

See accompanying Independent Auditor's Report.

**DURANT COMMUNITY SCHOOL DISTRICT**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Local sources										
Local tax	\$ 3,054,635	\$ 3,036,192	\$ 3,103,254	\$ 3,227,545	\$ 2,746,799	\$ 2,852,282	\$ 2,677,179	\$ 2,581,583	\$ 2,464,973	\$ 2,408,595
Tuition	945,616	876,934	949,199	871,750	910,197	956,690	1,067,798	863,874	918,904	896,137
Other	494,364	507,687	480,465	462,439	471,849	432,908	437,409	363,034	335,240	243,570
Intermediate sources	17,700	25,545	11,905	8,935	33,670	15,230	56,771	75,036	27,303	13,821
State sources	3,568,978	3,635,209	3,163,684	3,094,091	2,861,104	2,348,127	2,986,998	2,844,075	2,618,463	2,438,037
Federal sources	129,384	124,980	147,449	265,695	393,869	317,707	131,097	101,138	105,755	104,104
<b>Total revenues</b>	<b>\$ 8,210,677</b>	<b>\$ 8,206,547</b>	<b>\$ 7,855,956</b>	<b>\$ 7,930,455</b>	<b>\$ 7,417,488</b>	<b>\$ 6,922,944</b>	<b>\$ 7,357,252</b>	<b>\$ 6,828,740</b>	<b>\$ 6,470,638</b>	<b>\$ 6,104,264</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 2,902,035	\$ 2,747,779	\$ 2,855,956	\$ 3,424,589	\$ 2,625,845	\$ 3,053,927	\$ 2,728,113	\$ 2,626,712	\$ 2,601,773	\$ 2,393,845
Special	773,741	792,005	950,062	970,678	709,463	287,899	592,423	631,523	548,432	562,493
Other	1,070,871	1,047,261	1,005,138	934,694	960,229	934,134	860,888	705,939	564,489	475,139
Support services										
Student	141,645	129,798	189,463	184,986	170,642	159,907	193,512	205,167	198,309	213,241
Instructional staff	254,814	217,062	268,920	356,013	300,410	238,188	276,118	224,881	250,670	158,671
Administration	865,333	813,046	840,078	1,051,322	793,887	697,986	684,815	641,250	637,153	536,276
Operation and maintenance of plant	701,347	694,634	702,915	688,814	638,531	609,180	615,445	592,145	562,029	535,154
Transportation	317,438	361,673	293,994	258,791	344,301	283,070	198,991	254,109	295,141	239,974
Other support services	-	-	-	-	-	1	-	-	-	-
Non-instructional programs	1,362	1,282	1,366	1,131	1,362	1,868	8,358	3,369	726	516
Other expenditures										
Facilities acquisition	468,829	786,031	418,367	219,148	226,011	80,454	727,767	289,242	578,024	226,228
Long-term debt										
Principal	1,966,354	409,375	467,240	414,934	194,392	203,151	207,888	190,999	171,293	150,000
Interest and other charges	69,299	70,175	78,483	80,796	82,249	88,543	95,130	100,482	102,314	105,987
AEA flowthrough	229,863	227,522	222,370	215,930	237,068	224,013	209,609	200,054	188,841	173,062
<b>Total expenditures</b>	<b>\$ 9,762,931</b>	<b>\$ 8,297,643</b>	<b>\$ 8,294,352</b>	<b>\$ 8,801,826</b>	<b>\$ 7,284,390</b>	<b>\$ 6,862,321</b>	<b>\$ 7,399,057</b>	<b>\$ 6,665,872</b>	<b>\$ 6,699,194</b>	<b>\$ 5,770,586</b>

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Durant Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 29, 2016.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Durant Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Durant Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Durant Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiency described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Durant Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Durant Community School District's Responses to the Findings

Durant Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Durant Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Durant Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 29, 2016

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the amended amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - One variance in the basic enrollment data certified to the Iowa Department of Education was noted. The resident student count was understated by 1.25 students on the fall 2014 count reported to the Iowa Department of Education.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Iowa Department of Management, as recommended.

Conclusion - Response accepted.

8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Beginning balance		\$ 805,223
Revenues		
Statewide sales and services tax revenue	\$ 531,910	
Other local revenues	<u>62,761</u>	594,671
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 468,829	
Equipment	69,179	
Debt service for school infrastructure		
General obligation debt	<u>454,649</u>	<u>992,657</u>
Ending balance		<u>\$ 407,237</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Net Position - The District's Business Type Activities and Enterprise Fund, School Nutrition Fund had a negative unrestricted net position and total net position of \$34,030 and \$7,315, respectively, at June 30, 2015. The District's governmental activities also had a negative unrestricted net position of \$1,599,186 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return them to sound financial condition.

Response - These deficits were a result of adopting GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes as we deem necessary.

Conclusion - Response accepted.

14. Sharing Agreements - The District has entered into sharing agreements with the Wilton Community School District for Family and Consumer Science Education, Vocational Agriculture Education, Business Education, Art Education, Transportation Management, Operations and Maintenance Management and School Counselor. Wilton Community School District holds the employment contracts for the maintenance director, vocational agriculture teacher and business education teacher. Durant Community School District holds the employment contracts for the school counselor, transportation director, art teacher and family and consumer science teacher. These sharing agreements appear to comply with Chapter 28E and Sections 257(11).5 and 280.15(1) of the Code of Iowa.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Recommendation - Although the agreements, operations and accounting relating to the sharing agreements appear to be in compliance with the Code of Iowa and Administrative Rules of Iowa Chapter 281.98 regarding operational sharing and supplemental funding, the District also needs to ensure that they are in compliance with the sharing agreements as approved by both districts. The sharing agreements entered into under Iowa Administrative Rule Chapter 281.98 for Operational Sharing require that 20% of the contracted salary and benefits be reimbursed by the non-employing district to the district holding the employment contract. It appears that the District has complied with this requirement in the agreements; however, limited time records were maintained to substantiate that the shared employees were devoting appropriate amounts of time to the non-employing district. I recommend that more detailed time records be maintained by the District to support the 20/80 sharing of the operations and maintenance manager, transportation manager and school counselor.

Response - We believe that we are in compliance with all applicable Code of Iowa and Administrative Rules chapters and sections, as well as the sharing agreements themselves. However, we will take your recommendation to improve the time records to better substantiate the shared services.

Conclusion - Response accepted.



DURANT COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2015

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant